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ARIZONA CORPORATION COMMISSION

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November 22, 2004

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Arizona Corporation Commission
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RE: Competitive Zones
Docket Nos. T-01051B-03-0454 and T-00000-00-0672

Dear Messrs. Berg and Curtright:

As stated in testimony recently filed in the above referenced Dockets, Staff is not opposed to the use of Competitive Zones as long as designation is made pursuant to R14-2-1108 and some added safeguards are in place. It is particularly important that the issue of Carrier of Last Resort ("COLR") obligations be resolved before any Competitive Zone designation is made. Right now, Qwest is the COLR throughout its service territory. In response to Staff Data Request 17-001, Qwest notes that "[t]he Commission traditionally has not imposed a carrier of last resort obligation on carriers that provide only services the Commission has deemed to be competitive." Qwest went on to advocate in its response that COLR responsibilities be determined in a separate docket. However, in response to Staff Data Request 28-001, Qwest stated that it would not agree to maintain the COLR obligation in any Competitive Zone until a Commission decision is issued in a separate docket. Qwest can request at any time that a docket be opened to address this important issue.

Thus, while Staff supports the concept of Competitive Zones, we believe the COLR issue must be resolved as well as the other issues listed below before Competitive Zone designations can be made. In addition to needing to resolve the COLR issue, we believe a separate proceeding for Competitive Zone designation is necessary to address the following issues:

1. The R14-2-1108 criteria needs to be fully and thoroughly addressed. For instance, R14-2-1108 (B) (6) indicates that market share information, including shifts and changes in market share information, should be used in the competitive services evaluation. That information is not available in any detail in the record of this case. Staff believes that this information is necessary before a determination can be made under R14-2-1108.
2. Currently available wire center-based information indicates that the market for telecommunications is highly concentrated. Zip Code information may provide different results. For instance, wire center data is available only to Qwest,

Norman G. Curtright
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November 22, 2004
Page 2

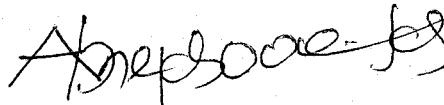
whereas zip code information is available to all carriers and thus would result in a more competitively neutral determination. Also, zip code information may provide more accurate results for facilities based CLECs. Zip codes should be used as the basis for the geographic boundaries of Competitive Zones.

3. Areas smaller than zip codes could be designated if the evidence suggests this would be appropriate.
4. Analyses should be based on the zip codes for the location where service is provided (the "service address zip code") rather than the zip code for the location to which a bill is sent (the "billing address zip code").
5. Zip code-based information from all Arizona telecommunications industry providers should be used in the analyses.
6. Staff believes that other indicators, such as minutes of use ("MOUs") trends, could also be offered by any participant as further support for a Competitive Zone designation.
7. Staff believes that Competitive Zone designations based on a distinction between business and residential customers should be considered.

We also realize that Qwest and other participants may have additional issues that warrant resolution. We believe that a separate proceeding is necessary to resolve all of these important issues relating to Competitive Zones designation in Qwest's service territory. We are hopeful that such a proceeding will be able to produce a satisfactory and sustainable resolution to all of these issues that will serve the needs of all Arizona stakeholders and consumers as technology continues to evolve.

Your thoughts, and those of other participants, regarding the issues outlined above and any additional issues which need to be considered as we go forth would be appreciated.

Sincerely,



Elijah O. Abinah
Assistant Director
Utilities Division

EOA: MAS:daa
cc: All Parties of Record